

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **April 9, 2002**

AGENDA ITEM NO.:

CONSENT:

REGULAR:

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE: **Medical Plan**

RECOMMENDATION: In response to City Council's desire to encourage the members of the City's medical plan to take an active role in curtailing costs and to increase the members' ability to manage their medical costs while minimizing the impact of rising costs on members using fewer services, staff recommends adjusting the components of the medical plan as attached.

SUMMARY: The medical plan changes, coupled with a 6% increase to City contributions totaling \$195,000, shares rising cost increases with the medical plan members while holding the line on monthly contributions for active employees in a year that does not include salary increases. The combination of plan changes and the City's increased contribution establishes reserve funds to help address the probability of unexpected costs throughout FY03. The members using the services the most will contribute more toward the cost of the services through higher deductibles and co-payments. Increased rates for retirees under age 65 and their dependents support a more equitable form of cost sharing that begins to accommodate the higher costs associated with this member sub-set and generates an additional \$42,000 in reserve funds.

An alternate option that generates the additional \$42,000 in reserve funds by increasing contribution rates for all medical plan members is included for Council's consideration.

PRIOR ACTION(S): March 26, 2002 Work Session Discussion

FISCAL IMPACT: The City Manager's proposed budget includes an increase of \$240,000 in City contribution for medical coverage for active employees and an increase of \$150,000 in City contribution for retiree medical coverage totaling \$390,000.

Implementing either the recommended plan or the alternate, as included on the attachment, will free \$195,000 for other uses and establish medical reserve funds of \$237,000 to address the potential for unexpected costs throughout FY03.

CONTACT(S): Margaret Schmitt and Karen Loughney, 847-1315

ATTACHMENT(S): Medical Plan Changes and Proposed FY03 contribution rates

REVIEWED BY:

Recommended Medical Plan Changes

All other components remain the same. All conditions of deductible and co-pays remain the same. All contributions are expressed as monthly rates.

Component	FY02	FY03
Deductible	\$300 Individual/\$600 Family	\$500 Individual/\$1000 Family
Drug Co-Payments	\$10 Generic/\$20 Brand co-payment	40% Co-insurance (\$20 minimum/\$100 maximum mandatory generic, mandatory mail order after 3 refills)
Office Visit Co-Payments	\$20 (Referral required from Primary Care Physician for Specialist visits)	\$20 Primary Care Physician/\$30 Specialist (no referral required)
City Contribution for Employees and Retirees	\$180 monthly (\$2160 annually)	\$191 monthly (\$2292 annually)
Retiree <65 Contribution Retiree < 65 Dependent rates	\$14.80 Retiree/Spouse \$143 Retiree/Child \$125 Retiree/Family \$245	\$18.00 Retiree/Spouse \$176 Retiree/Child \$156 Retiree/Family \$288 (Reflects a 10% value increase)
Retiree >65 Contribution Retiree > 65 Dependent rates	\$14.80 (+ \$50 Medicare Part B) Retiree/Spouse \$121	\$14.80 (+\$50 Medicare Part B) Retiree/Spouse \$121
Active Employee (EE) Active EE Dependent rates	0 EE/Spouse \$128 EE/Child \$110 EE/Family \$230	0 EE/Spouse \$128 EE/Child \$110 EE/Family \$230

Alternate Medical Plan Changes

All other components remain the same. All conditions of deductible and co-pays remain the same. All contributions are expressed as monthly rates.

Component	FY02	FY03
Deductible	\$300 Individual/\$600 Family	\$500 Individual/\$1000 Family
Drug Co-Payments	\$10 Generic/\$20 Brand co-payment	40% Co-insurance (\$20 minimum/\$100 maximum mandatory generic, mandatory mail order after 3 refills)
Office Visit Co-Payments	\$20 (Referral required from Primary Care Physician for Specialist visits)	\$20 Primary Care Physician/\$30 Specialist (no referral required)
City Contribution for Employees and Retirees	\$180 monthly (\$2160 annually)	\$191 monthly (\$2292 annually)
Retiree <65 Contribution Retiree < 65 Dependent rates	\$14.80 Retiree/Spouse \$143 Retiree/Child \$125 Retiree/Family \$245	\$15.20 Retiree/Spouse \$147 Retiree/Child \$129 Retiree/Family \$252
Retiree >65 Contribution Retiree > 65 Dependent rates	\$14.80 (+ \$50 Medicare Part B) Retiree/Spouse \$121	\$15.20 (+\$50 Medicare Part B) Retiree/Spouse \$127
Active Employee (EE) Active EE Dependent rates	0 EE/Spouse \$128 EE/Child \$110 EE/Family \$230	0 EE/Spouse \$132 EE/Child \$113 EE/Family \$236